

4. Do current community college district boundaries align with the needs of the communities they serve? If not, how should they be altered and why will those changes improve educational opportunities for Texans?

Over the past few legislative sessions, Lee College has found itself at the forefront of conversations regarding annexation and taxing jurisdictions. However, we are by no means the only community college experiencing trouble navigating an environment requiring local supplementation of limited state funding through increasing tuition rates or tax rates. Many community colleges are facing the same challenges funding our community colleges while providing and preserving high quality educational opportunities fairly and equitably for our students.

During a House Higher Education Hearing last session, it was suggested that because service areas and taxing districts were created by the legislature decades ago, it is time for them to be reexamined. We agree, given the length of time passed since these service areas were established and a recent uptick in legislation to alter the original intent of service areas, a thoughtful evaluation of this vital funding system is appropriate.

To understand why service areas and taxing boundaries are currently not meeting the needs of the citizens of Texas, it is helpful to remember the history of how community colleges were created. Most of the community colleges created throughout the state were originally formed based on an unmet regional need and were commonly formed by local independent school districts. After WWII, communities themselves started to form junior colleges in order to serve soldiers coming home from the war.

Eventually, the legislature statutorily divvied up the state so that each of the 50 community colleges then in existence had a defined service area within which they were responsible for providing educational services to the citizens living in the area (SB 397 from the 74th Legislature). The Senate Bill analysis for SB 397 proclaimed that codifying service areas in statute would potentially avoid duplication of services amongst community colleges (see attached chart for the "Brief History of Legislative Changes and recommendations for Community College Annexations and Service Areas").

Unfortunately, when dividing the state into service areas, the legislature did not decide that all residents within those service areas would be responsible for a portion of the cost of those community colleges and only a portion of the citizens whose property falls within the defined service area is obligated to pay a property tax to fund operation and maintenance of the community college.

Our community college, and we suspect many others, do not believe that the defined service area boundaries themselves are a problem. Those boundary designations are a helpful tool in providing colleges a more predictable way to plan for future growth by knowing which populations that we are expected to serve. But by defining an area that community colleges must serve, and only requiring a portion of the residents within the service area to contribute to the maintenance and operation of those colleges, places an unfair burden on those citizens that are subsidizing the college's facilities for those that are not required to pay the property tax rate. It is our opinion that the current funding system's heavy reliance on property taxes from residents in only one of the seventeen school districts we serve has been a disadvantage to the students we serve, as well as the neighboring school districts and communities not within our taxing district (see attached "Lee College Service Area" Document). The current system continues to place more pressure on the residents in a community college's taxing boundary as state funding has decreased since SB 397 was implemented. Compounding these problems is an already unequal tax burden that is magnified as communities and subdivisions expand outside a population center's jurisdictional boundaries and these newly created, often explosive growth, areas are not included in the tax base for their local community college. In many cases, these new growth area's property values prove to be higher than the legacy communities that are within the current college's taxing boundary.

While arguments are made that community colleges have the ability to call for an election to ask the citizens within their service areas to elect to place themselves within the taxing boundary in exchange for in-district tuition, when the legislature passed SB 397 and statutorily defined each college's service area, they required that the community college serve all citizens within those boundaries, regardless of if they pay taxes or not. The Legislature at that time placed an unrealistic expectation on community colleges that they somehow convince residents outside of their taxing boundaries to elect to be included within a community colleges taxing boundary when they are already being served.

We believe that a system setup to require individuals to voluntarily vote themselves to be taxed is setup to fail. Public school districts are funded by taxing all real property within the state, and citizens owning property in the State of Texas are not given the choice whether or not they want to pay those particular taxes. We believe if they were given the choice, as is the case with a community colleges property tax, a number of citizens would not elect to include themselves within the taxing boundary of a public-school district and push that burden off to others. Further we believe that the lack of annexation elections by community colleges in the last few decades, to include new

territory within their existing taxing boundary, is a clear recognition of the insurmountable effort communities face convincing citizens to electively tax themselves for the educational advancements of our adult population.

While we cannot claim this potential solution as our own, we believe that to broaden the base and lower the rate, by requiring all property in Texas to be included within the taxing jurisdiction of a community college, would create an equitable system among all Texas residents. It would reduce property taxes for a significant number of citizens and create a more sustainable source of revenue to fund our public community colleges. We propose that the legislature require all property within a statutorily defined service area to be included within the taxing boundaries of the current community college that has been servicing their area for decades and allow all citizens in Texas to contribute to the education of the future workforce of this state.

By making sure that all citizen's in Texas are contributing their fair share to our public community colleges, this solution would alleviate the burden that has been placed solely on a fraction of our service area to supplement the educational facilities of their non-taxing paying neighbors and it would allow for a more reasonable tuition rate for those students who reside outside the taxing boundary who may be required to pay a higher out of district tuition.

Treating property taxed by public community colleges similar to how we tax property by our public-school districts would naturally drive down the property tax rate of every community college. This is primarily accomplished because the necessity for a higher tax would not be needed to offset the number of students served in proportion to the small amount of taxable property currently included within each community college district. In the last few sessions, we have watched the legislature work to find solutions to reduce local citizens property tax bills and this would provide further relief across the board while also making sure community colleges are funded at a sustainable level where they can continue to provide a proper education to our students and future workforce.

While we believe this idea is one worth exploring and implementing in the future, we also acknowledge that the solution might be too significant a task to tackle this session given the unfortunate strain the global pandemic has had on all Texas citizens. In light of this, we would like to offer up a second interim solution that would make the current system more equitable for the established 50 community colleges in this state.

Certain schools naturally have a higher tax basis based on their favorable geographic location. Many of these tax bases have changed over the last few decades as populations and businesses have grown or shifted outside of long-standing

communities. The Legislature could consider adding a provision in statute that further prohibits a community college from annexing into their taxing boundary an area that is within another community college's service area if the student population of the annexing community college is larger than the population of the community college that has that particular school district within their service area. This would ensure that, until a sustainable funding solution can be identified, monopolies do not naturally form by creating an incentive for larger and often more urban community colleges against smaller more likely rural colleges. This will help protect the local voices and sentiment from unsympathetic large systems until a permanent fix is implemented.

Thank you for your time and consideration and we look forward to working with you next session toward a solution, or at the very least, an interim charge to study the service area issue for the following session. We sincerely appreciate the opportunity to respond to this request and will work with any stakeholders moving forward to find solutions for these challenging but solvable problems.